



Kasarani Campus

Off Thika Road
Tel. 2042692 / 3

P. O.

Box 49274, 00100

NAIROBI

Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212
Fax: 4444175

KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FOR THE DIPLOMA IN HUMAN RESOURCE MANAGEMENT
DAC 1501- FINANCIAL ACCOUNTING
SPECIAL EXAM

Date: 17TH AUGUST, 2023
Time: 11:30AM-1:30PM

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Accounting principles are applied by all business enterprises across the world to achieve their objectives. State and explain four purposes of accounting to businesses in Kenya today. (8 Marks)
- b) During May 2022, John Trading Company made the following transactions:
May 01: Cash debit balance Sh.2, 200, bank Credit balance Sh.365.
May 03: Paid James by cheque Sh.1,200, discount received amounting to Sh.15.
May 05: Received from Abel a cheque for Sh.980, discount allowed to them Sh.20.
May 10: Purchased stationery for cash, Sh.150.
May 15: Purchased goods for cash, Sh.1,300.
May 15: Cash sales for the first half of the month, Sh.2, 350.
May 16: Deposited into bank Sh.1, 600.
May 18: Cash withdrawn from bank for personal expenses Sh.150.
May 19: Paid by cheque purchases Sh.1,650.
May 21: Drew cash from bank for office use, Sh.650.
May 24: Received a cheque from Sammy Sh.1,560.
May 25: Paid a cheque to Ali for Sh.400 and received a discount of Sh.15.
May 27: Purchased furniture in cash for office use, Sh.390.
May 29: Paid office rent by cheque, Sh.450.
May 30: Cash sales for the second half of the month, Sh.4,300.
May 31: Paid salaries by check, Sh.1,760.
May 31: Withdrew cash from bank for office use, Sh.1,470.

Required:

Post entries to three column cash book and balance off. (12 Marks)

- c) The audited books of TendaWema Ltd. As at 31st December 2021 showed the following errors.
- A cash sale of sh.1000 was not recorded.
 - Rates expense of sh.5000, paid in cash has been debited to the rent account in error.
 - A purchase of machinery sh.10,000 on credit has been debited to the machinery repairs expense account.
 - A cash sale of sh.76 has been recorded as sh.67.
 - A cash sale of sh.200 has been debited to sales and credited to cash.

Required:

Provide the necessary journal entries to correct each of the following errors.

(10 Marks)

QUESTION TWO (20 MARKS)

The following are the balances taken from the books of Shauri Moyo Ltd on May 31st, 2022.

	DR.	CR.
Carriage inwards	1,500	
Opening stock	16,000	
Bank Overdraft		1,500
Debtors& Creditors	28,000	10,000
Furniture	5,000	
Machinery	40,000	
Discount Received		500
Buildings	45,650	
General expenses	12,200	
Purchases& Sales	75,000	200,000
Returns	5,000	2,000
Carriage outwards	400	
Wages	30,000	
Salaries	18,000	
Electricity	800	
Transport	1,200	
Insurance	450	
Rent	4,800	
Drawings	5,000	
Cash in Hand	5,000	
Capital		80,000
TOTALS	294,000	294,000

Additional Information:

- Depreciation is provided for furniture was 10% and machinery at 5 % p.a.
- Prepaid Insurance was Sh. 200.
- Wages in arrears was Sh 2,000
- Salaries in arrears was Sh. 1,500
- Closing stock is valued at Sh. 38,000.

Required:

i) Prepare Income Statement for the Year ending 31st May 2022.

(12 Marks)

ii) Prepare Statement of financial position as at 31stMay 2022.

(8 Marks)

QUESTION THREE (20 MARKS)

- a) MilimuLtd. discovered some differences between their cashbook records and the records from the bank statements. Briefly explain four causes of such differences. (4 Marks)

b) Unga Ltd. had the following transactions in the month of July 2022.

- July 1st : Started business with a capital of 75,000 cash
1st : Purchased goods from Manu on credit 25,000
2nd : Sold goods to Sonu 20,000
3rd : Purchased goods from Meenu 15,000
4th : Sold goods to Tanu for cash 16,000
5th : Goods returned to Manu 2,000
6th : Bought furniture for 15,000
7th : Bought goods from Zenu 12,000
8th : Cash paid to Manu 10,000
9th : Sold goods to Jane 13,500
11th : Cash received from Jane 5,500
13th : Returned Goods to Zenu 1,000
14th : Cash received from Sonu 12,000
15th : Bought machinery for 18,000
19th : Cash sales 15,000
20th : Cash purchases 13,500

Required:

- i) Record the above transactions in the ledger. (10 Marks)
ii) Balance off the accounts. (3 Marks)
iii) Extract a trial balance. (3 Marks)

QUESTION FOUR (20 MARKS)

- a) Briefly explain four importance of a balance sheet to accountants in Kenya today. (4 Marks)
- b) Differentiate the following:
- i) Capital and revenue (2 Marks)
 - ii) Real accounts and nominal accounts (2 Marks)
 - iii) liquidity and solvency (2 Marks)
- c) The accounting profession has a long time relied on certain accounting concepts to guide accounting practice. Yet the application of the same concepts has been the source of criticism of the quality and relevance of information contained in financial reports. Explain the meanings of the following concepts and cite where they can be applied by accountants.
- i) The dual aspect concept (2 Marks)
 - ii) The money measurement concept (2 Marks)
 - iii) The Accrual concept (2 Marks)
 - iv) Convention of consistency (2 Marks)
 - v) Matching Concept (2 Marks)

QUESTION FIVE (20 MARKS)

a) Define a bank reconciliation statement. (2 Marks)

b) The following information is provided for Bamboo Ltd.

2022 July 1: Credit purchases from Kevin sh.30, 800; Norman sh.5000; Senior sh 1006.

3: Credit sales to: Riggy sh 5010; Philips sh. 2046; Tom sh 3056

5: Credit Purchases from: Martin sh. 2000; James sh. 1080; Edwards sh.1040;
Davies sh.606

8: Credit sales to: Green sh.3070; George sh. 2050; Felix sh. 1085.

12: Return outwards to: Norman sh.300; Senior sh 106.

14: Return inwards from: Philips sh. 108; Tom sh.202

20: Credit sales to: Philips sh. 1088; Peris sh.3010; Lee sh 4020.

24: Credit Purchases from: Felix sh. 5050; Eleanor sh 9000.

31: Return inwards from: Philips sh. 207; Riggy sh.300

31: Return outwards to James sh. 103 Davies Sh. Sh. 101

Required:

Prepare the following;

- i) Purchases Journal & its Ledger Account (5 Marks)
- ii) Sales Journal & its Ledger Account (5 Marks)
- iii) Return Outwards Journal & its Ledger Account (4 Marks)
- iv) Return Inward Account & its Ledger Account (4 Marks)